1999 Annual Report

Company Profile

Dundee Petroleum is a Calgary-based, junior energy company engaged in exploration and production of oil and natural gas in Western Canada.

The Company was incorporated in 1995 and listed for trading on the Alberta Stock Exchange in March 1996 as a Junior Capital Pool Corporation.

During 1999, the Company continued its focus towards natural gas through the drilling of an additional 40 gross (10 net) shallow gas wells on its core property at Cessford. Dundee's reserve base now comprises 84% natural gas (15.34 Bcf) and 16% crude oil (285,000 Bbls) with a reserve life index (total proved) of 19.6 years.

The Cessford property contains over 100 sections of undeveloped land, and the potential for the drilling of a minimum additional 160 wells. With netbacks at Cessford averaging over $20/BOE and cumulative finding costs of $5.50 per BOE, annual drilling programs on Dundee's large undeveloped reserve base at Cessford will provide steady growth on a yearly basis.

The common shares of Dundee currently trade on the Canadian Venture Exchange under the symbol DPC.

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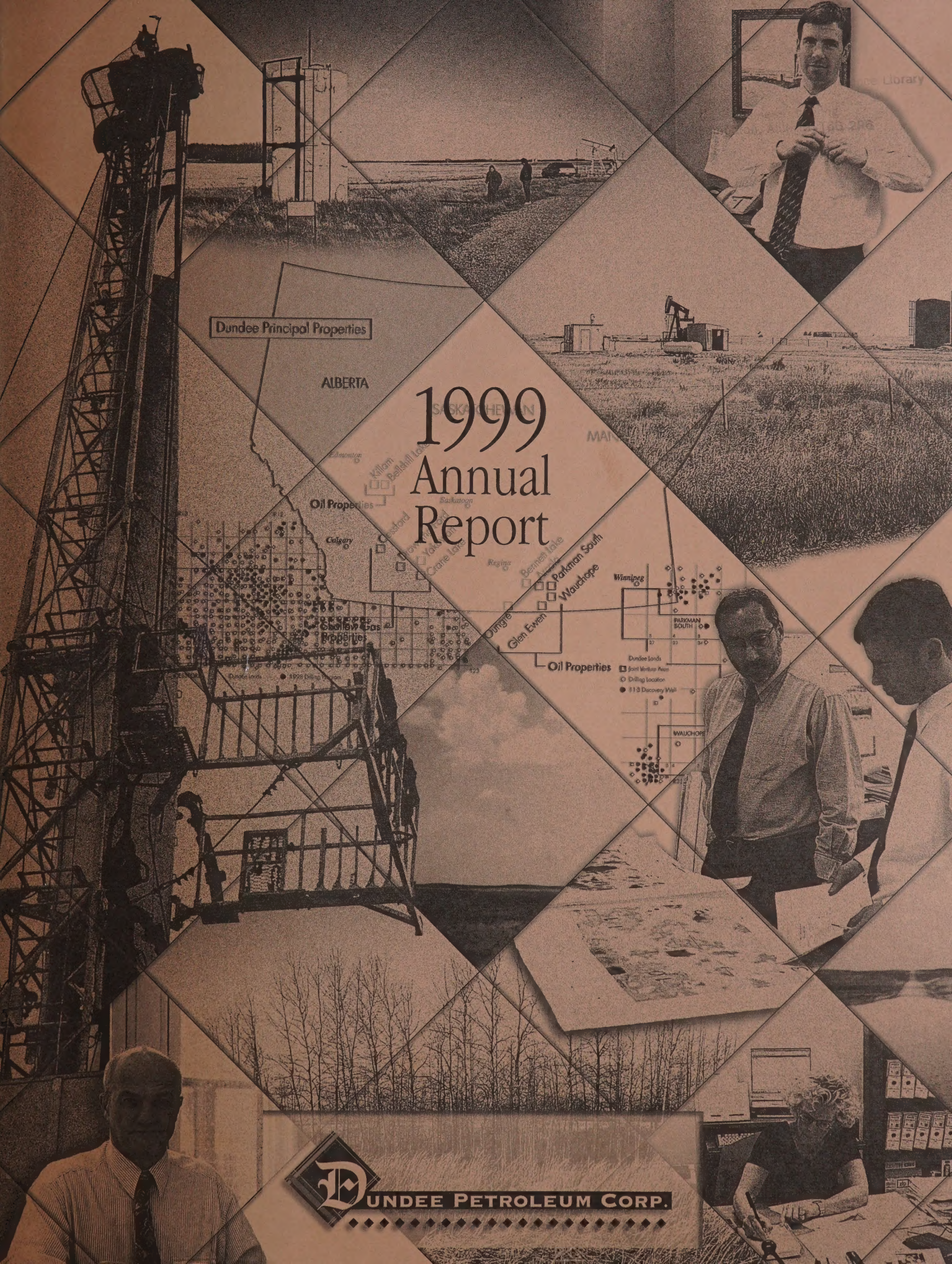


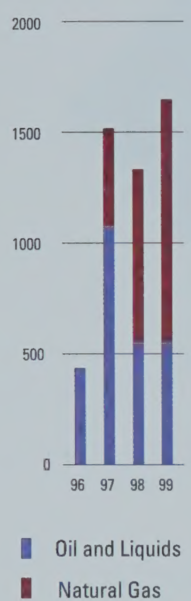
DUNDEE PETROLEUM CORP.

Summary

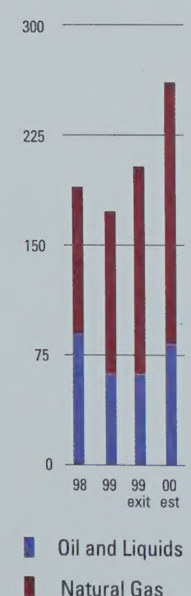
		1999	1998	1997	1996
Financial					
Gross revenues		$1,679,163	$1,329,607	$1,513,530	$ 444,876
Cash flow		471,567	354,881	664,347	63,929
Cash flow per share		0.032	0.028	0.068	0.012
Net income (loss)		(11,038)	(95,374)	102,888	16,108
Net income (loss) per share		(0.001)	(0.008)	0.011	0.003
Capital expenditures, net		791,867	1,333,555	3,418,951	797,585
Total assets		6,485,471	6,562,131	4,198,780	1,322,010
Long term debt		1,279,267	1,999,127	1,175,000	0
Shareholders equity		$3,023,831	$2,435,962	$2,302,202	$ 975,452
Common shares outstanding (Weighted Avg)		14,590,041	12,544,843	9,712,415	6,005,760
Trading price per share ($)					
High		0.35	0.38	0.74	0.40
Low		0.12	0.15	0.25	0.13
Close		0.24	0.20	0.36	0.37
Operating					
Sales					
Oil and liquids		$ 610,077	$ 554,481	$1,128,775	$ 444,876
Natural gas		$1,067,072	$ 775,126	$ 384,755	$ 0
Production					
Oil and liquids (Bbls)		24,968	31,835	44,256	16,047
Oil and liquids price		$ 24.34	$ 17.42	$ 25.51	$ 27.72
Natural gas (Mcf)		388,918	377,326	211,290	0
Natural gas price		$ 2.74	$ 2.05	$ 1.82	0
Daily production BOE		175	191	180	44
Reserves (proved and probable)					
Oil and liquids (MBbls)		285	508	552	500
Natural gas (Mmcf)		15,337	13,832	2,793	0
Wells drilled					
Oil	gross	0	1	3	2
	net	0	0.25	0.29	0.35
Natural gas	gross	40	36	0	0
	net	10	10.8	0	0
Dry	gross	0	2	1	0
	net	0	0.85	0.18	0

President's Message

GROSS REVENUES
($ 000's)



PRODUCTION
BOE/day



Report to Shareholders - 1999

1999 marked a turnaround year for the oil and gas industry, which witnessed a remarkable, nearly threefold increase in the price of crude oil and continued resurgence of North American natural gas markets. Dundee capitalized on this environment by strengthening the Company's Balance Sheet through property dispositions at premium market prices, and by focusing on its highly profitable gas property at Cessford, which now represents approximately 78% of both the Company's reserve and land base.

Dundee's production for 1999 averaged 175 BOE/day, decreasing from 190 BOE/day in 1998. This decrease in production was mainly due to non-core property sales deemed necessary to reduce debt and finance the ongoing development of the Company's high netback, core property at Cessford. Production for the year consisted of 60% natural gas and 40% oil. Natural gas production was attributable to the Company's shallow gas properties located at Cessford and the border area of southwestern Saskatchewan and southeastern Alberta. Oil production was derived primarily from the Company's Arcola, Oungre, Glen Ewen, Bellshill and Killam properties.

With the continued focus towards natural gas through the development of the Cessford property in 1999, Dundee's reserve base now comprises 84% natural gas and 16% crude oil. An independent engineering appraisal of the Company's oil and gas reserves at January 1, 2000, has determined the value of the Company's reserves, using a 10% discount rate, to be $9,574,000 using the Gilbert Laustsen Jung Associates Ltd. (GLJ) base pricing forecast, and $12,684,000 using the GLJ constant price forecast. Dundee's total reserves at 1999 year-end were 15.34 billion cubic feet of natural gas and 285,000 barrels of crude oil.

Capital expenditures in 1999 amounted to $1,511,158, resulting in four year cumulative Finding Costs (including future additional capital required to develop the Company's reserves) of $6.39 per BOE of Proved reserves and $5.75 per BOE of Proved and Probable reserves. Dundee's Reserve Life Index, on a BOE basis, is 19.6 years for Proved reserves and 28 years for Proved plus Probable reserves. These relatively high reserve life indexes reflect the substantial undeveloped reserve base attributed to the Company's Cessford property.

Revenues for the 1999 fiscal year were $1,679,163, an increase of 26% or $349,556 from 1998. Cash flow from operations, including a provision for one-time reorganization costs incurred in the second quarter, was $471,567 or $.032 per share compared with $354,881 or $.028 per share in 1998. This increase in cash flow was primarily due to higher commodity prices and a larger percentage of Dundee's production attributable to the higher netback Cessford property. In 1999, the Corporation recorded a loss of $11,038, compared with a loss of $95,374 in 1998. Average sales price for the 1999 fiscal year was $26.26 per BOE, an increase of 37% or $7.15 per BOE from the comparative 1998 period. During 1999, oil prices averaging $24.34 per barrel, an increase of 41% or $6.92 per barrel from the previous year. Natural gas prices rose 34% in 1999 to $2.74 per Mcf. As a result of improved commodity prices and increased production at Cessford, the Company's average netback for 1999 was $13.99 per BOE, an increase of 31% or $3.29 per BOE from the comparative 1998 period.

OPERATIONS REVIEW

During 1999, Dundee's main focus was the continued development of the Cessford property by completing a drilling program consisting of 40 gross (10 net) shallow gas wells. The Cessford property was established in 1998 as a result of management's strategy to pursue natural gas drilling projects. During 1998, the Company initially participated in the drilling of 36 (10.8 net) successful shallow gas wells, resulting in a new core area characterized by long-life gas reserves with significant upside drilling potential.

The 40 well, 1999 drilling program also yielded a 100% success rate, with all of the wells being drilled, completed and tied-in for production from

both the Medicine Hat and Milk River formations. The 40 wells were placed on production in October, increasing Dundee's total net production at Cessford to 1.2 Mmcf/day for the fourth quarter. Total net cost of this program to Dundee was approximately $1,150,000.

In addition to its drilling at Cessford in 1999, Dundee participated in the additional completion of the Milk River formation in 26 of the 36 wells drilled in 1998. During 1999, Dundee also acquired additional strategic interests at Cessford, through land purchases ($42,137) and a third party farmin.

With the improving fortunes of oil prices, Dundee re-interpreted its 3D seismic program at Parkman South in 1999, which resultant interpretation indicated the presence of a significant structure. Based on the revised seismic interpretation, Dundee and its partners drilled an additional 2 (0.9 net) stepout wells early in the year 2000 with encouraging results.

DISPOSITIONS REVIEW

During 1999, the Crane Lake royalty and Yakowan properties were sold for $245,000 and $425,000, respectively, which represented a combined unit sale price of $0.97 per Mcf on a reserve basis.

In addition to its shallow gas property sales, Dundee also disposed of its interest in the Glen Ewen oil property for $50,000 cash, with the Company retaining an overriding royalty on any future wells drilled. Proceeds from all of the Company's 1999 property sales were used to reduce debt and fund the 1999 Cessford capital program.

FINANCIAL REVIEW

During the third quarter, Dundee closed its Rights Offering of 3,396,000 common shares of Dundee at $0.20 per common share to raise net proceeds of $611,001. The Rights Offering was over-subscribed by $113,184. Proceeds from the Rights Offering were used to pay a portion of Dundee's cost of the 40 wells drilled under the Company's 1999 Cessford shallow gas drilling program.

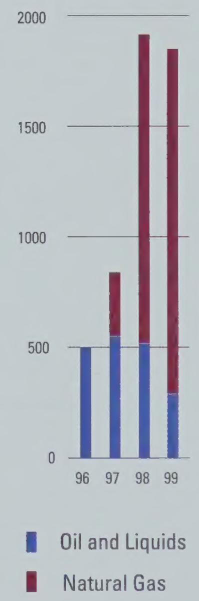
Dundee's successful Rights Offering and property sales strengthened the Company's Balance Sheet, with 1999 exit debt at $1,279,267 or 13 months current (annualized Q4) cash flow. At December 31, 1999, the Company's total available credit facility was $2,050,000.

During the 1999 fiscal period, the Company purchased for cancellation 360,500 common shares at an average price of $.21 per share under its Normal Course Issuer Bid. At December 31, 1999, the Company had 16,954,501 common shares issued and outstanding.

For the fiscal year 1999, Dundee expended $1,511,158 for the acquisition of capital assets. The majority of the expenditures were for exploration and development drilling ($987,317) and facilities and equipment ($496,695). The balance of expenditures ($27,146) were incurred on land, seismic and other assets. In order to finance these expenditures, the Company sourced funds from: the disposition of properties ($719,291), cash flow from operations ($471,567) and the issuance of share capital ($568,446) net of repurchases.

In line with its previous strategy of securing cash flow and capitalizing on strong natural gas prices, the Company contracted 400 GJ/day of its Cessford production at $3.77/GJ ($3.97/Mcf) and 300 GJ/day at $3.10/GJ ($3.26/Mcf) for the winter term of November, 1999 through March, 2000. In addition, Dundee has hedged 500 GJ/day of its Cessford production from April through October, 2000 at $2.95/GJ ($3.10/Mcf) and from November, 2000 through October of 2001 at $3.50/GJ ($3.68/Mcf). With the strong current natural gas market, the Company will continue to closely monitor its hedging positions and may engage in further hedges at suitable prices.

PROVED & PROBABLE RESERVES
MBOE



OUTLOOK FOR 2000

For the year 2000, Dundee plans to significantly add to its Cessford production through the drilling of additional shallow gas wells. At the time of writing, 27 (8 net) wells had been drilled in February and March of 2000, and are expected to be on production in June. Total cost of this winter program is estimated at $1,015,000 net to Dundee. The remaining year 2000 Cessford drilling program, estimated at a minimum 51 (13.5 net) wells, will be conducted in the summer with the wells to be on production by October. This drilling program will be financed out of existing cash flow and available bank lines. In order to maintain Dundee's debt position within levels of industry norms, the Company may entertain disposing of other minor properties in 2000, should suitable offers be received.

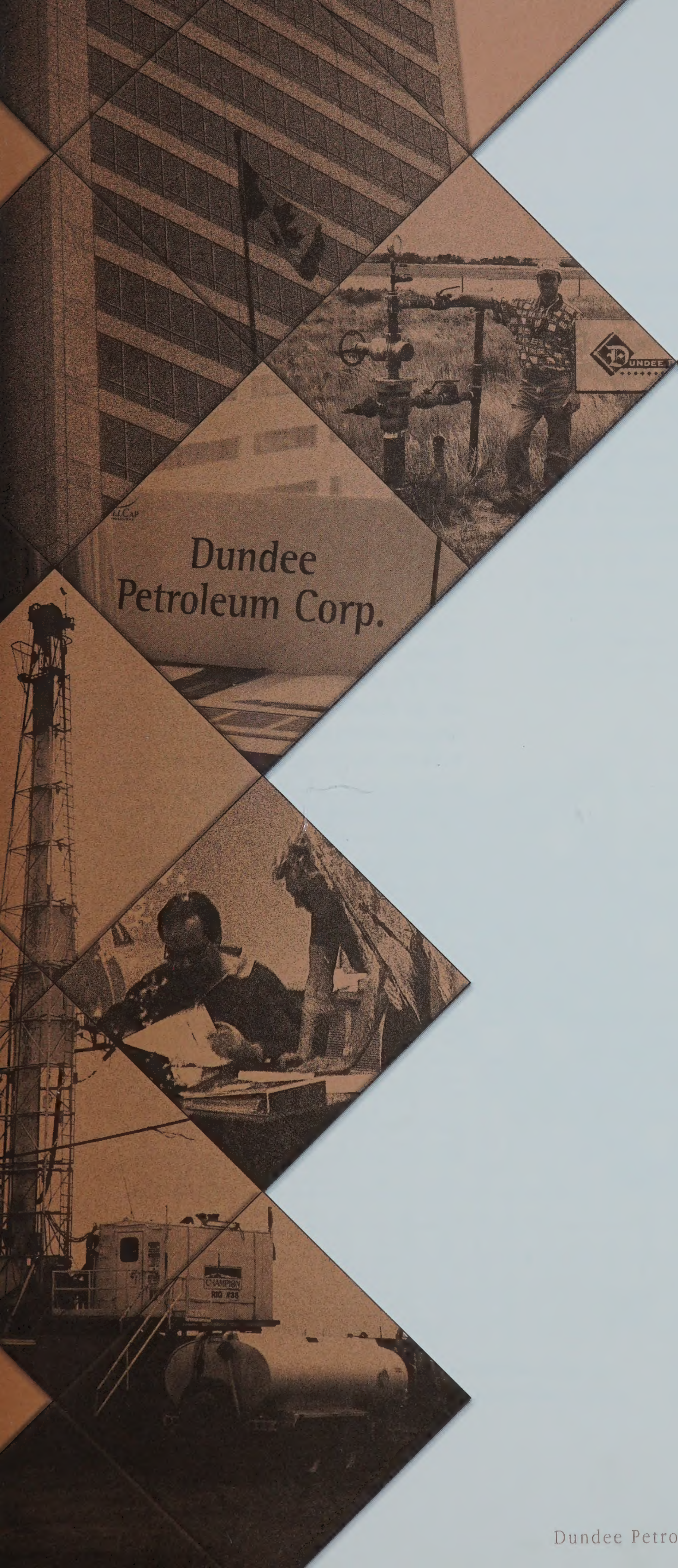
Although the Company has expended approximately $300,000 toward the drilling of 2 wells at Parkman South in the first quarter of 2000, the Company has no major capital expenditures allocated to its oil projects in the year 2000. However, with the vastly improved and somewhat stabilized price of crude oil, Dundee is currently re-evaluating the potential of its oil properties at Arcola, Bennett Lake, Parkman South and Wauchope in southeast Saskatchewan, with a view to maximizing the value of these opportunities.

In addition to the development of its Cessford property and crude oil prospects, and as a strategy to provide greater leverage to the shareholders of Dundee, management continues to pursue new gas projects in southern Alberta and southwest Saskatchewan. Specifically, in order to complement Dundee's current shallow gas portfolio, the Company is targeting land acquisitions and drilling opportunities which offer a high impact and superior rate of return with limited capital exposure.

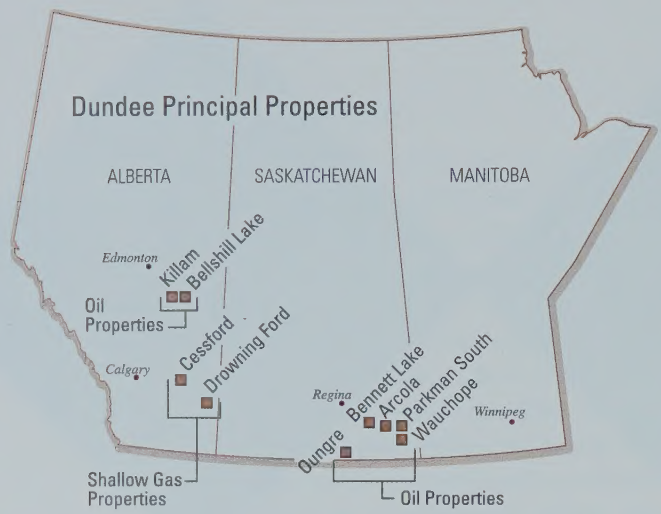
With a strengthened Balance Sheet and tremendous drilling opportunities at Cessford, Dundee is now in an excellent position to take full advantage of the current natural gas pricing market. Based on a Cessford natural gas sales price of $2.93 per Mcf for the 1999 year, Dundee's netbacks, before royalties, on its Cessford property averaged $2.40 per Mcf ($2.10 per Mcf after royalties) for 1999. This superb profitability measure, coupled with finding and on-stream costs of $0.50 to $0.60 per Mcf, poises the Company for substantial growth in production and cash flow through development of the Cessford property in the year 2000 and beyond.

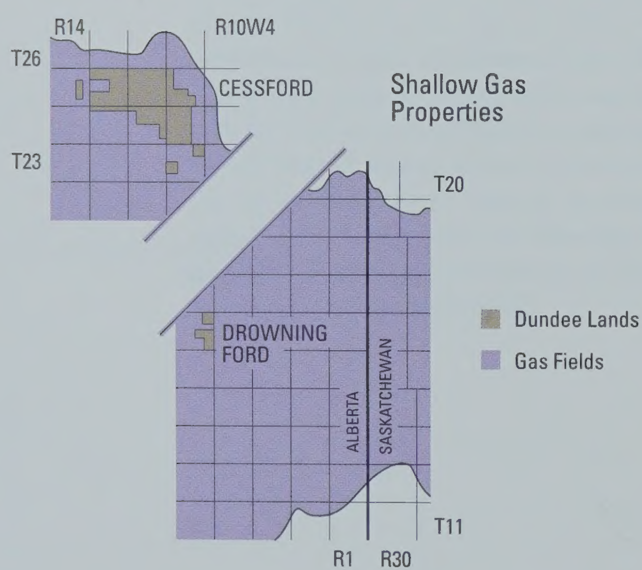
I would like to again express my utmost gratitude towards all of the management, directors and shareholders for their support in the continued growth of the Company.

Michael J. Kryczka
President and Chief Executive Officer



Operation's Review





Properties

SHALLOW GAS PROPERTIES

Dundee's natural gas production and the majority of its total reserves are derived from the Cessford and Drowning Ford shallow gas fields located in southeast Alberta. Both properties offer stable production and long-life reserves with significant upside drilling potential. Operating costs (including transportation and processing) on both properties average $0.56 per Mcf.

With the establishment of the Cessford property in 1998 as Dundee's main focus area, and the continued development of this property in 1999, the Company was able to dispose of its minor interests in a number of shallow gas properties during the year. In June, Dundee closed the disposition of its 37.5% working interest in the Yakowan shallow gas property for $425,000 cash. Production from this property had averaged 165 Mcf/day net to Dundee, and the sale price represented $1.00 per Mcf on a reserve basis. In September, Dundee closed the disposition of its Crane Lake shallow gas royalty interest for $245,000 cash. Production from this property had averaged 70 Mcf/day net to Dundee, and the sale price represented $0.91 per Mcf on a reserve basis.

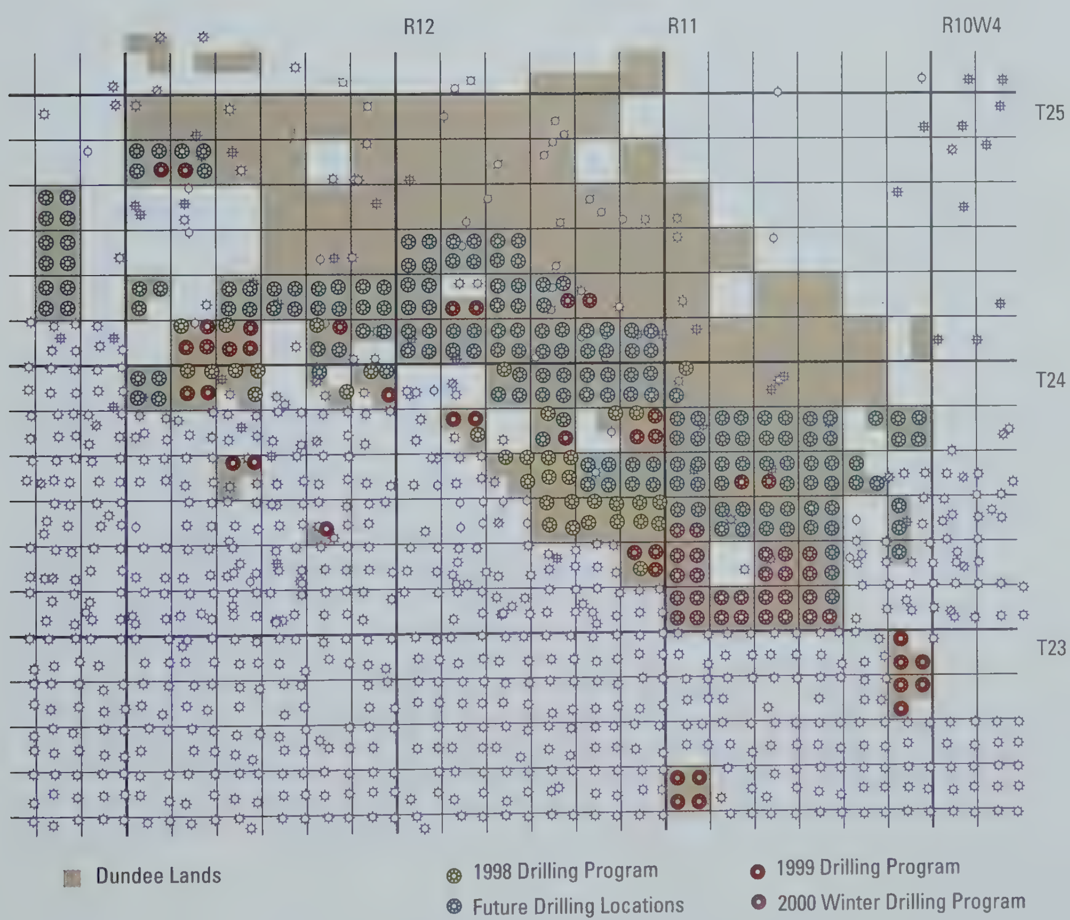
During the year 2000, Dundee will continue to aggressively expand its interests and pursue additional opportunities in its shallow gas core area.

CESSFORD

Cessford is Dundee's core property, representing approximately 78% of both the Company's reserve and land base. The property contains total reserves attributable to Dundee's interest of 10.34 Bcf Proved and 14.24 Bcf Proved plus Probable. At an average 30% working interest, Dundee's total landholdings at Cessford comprise 79,920 gross (24,344 net) acres, stretching across 8 townships from Twps. 23-26, Rges. 11-14, W4M. As at year end, the property contained 76 shallow gas wells, the majority of which are producing from both the Medicine Hat and Milk River formations. During 1999, Dundee's net production from the Cessford property averaged 750 Mcf/day.

The Cessford property was established in 1998, during which the Company initially participated in the drilling of 36 (10.8 net) shallow gas wells. This drilling program yielded a 100% success rate, resulting in a new core area characterized by long-life gas reserves with significant upside drilling potential.

During 1999, Dundee continued the development of the Cessford property by completing a successful drilling program in the third quarter, consisting of 40 gross (10 net) wells. All of these wells were drilled, completed and tied-in for production from both the Medicine Hat and Milk River formations. The 40 wells were placed on production in October, increasing Dundee's total net production at Cessford to 1.2 Mmcf/day for the fourth quarter. Total net cost of this program to Dundee was approximately $1,150,000.



In addition to its drilling at Cessford in 1999, and as the result of a commingling agreement, Dundee participated in the additional completion of the Milk River formation in 26 of the 36 wells drilled in 1998. These wells, in addition to eight of the remaining 1998 and all 1999 wells, are now producing concurrently from both the Medicine Hat and Milk River formations, ensuring the property is developed as economically as possible. The net result of this commingling operation was an equalization and net capital rebate to Dundee of $200,000 with little, if any, change in production or reserves.

During 1999, Dundee acquired additional interests, ranging from an overriding royalty to a 100% working interest, in strategic lands totaling 1,016 net acres for a total cost of $42,137. These lands were purchased at Crown land sales and a private transaction. Dundee also earned an additional 480 net acres at Cessford through a 10 well (3 net) third party farmin.

With over 100 sections of undeveloped land, the Cessford property contains the potential for the drilling of a minimum additional 160 wells. For the year 2000, Dundee plans to significantly add to its Cessford production through the drilling of additional shallow gas wells. At the time of writing, 27 (8 net) wells had been drilled in February and March of 2000, and are expected to be on production in June. The remaining year 2000 Cessford drilling program, estimated at a minimum 51 (13.5 net) wells will be conducted in the summer with the wells to be on production by October.

DROWNING FORD

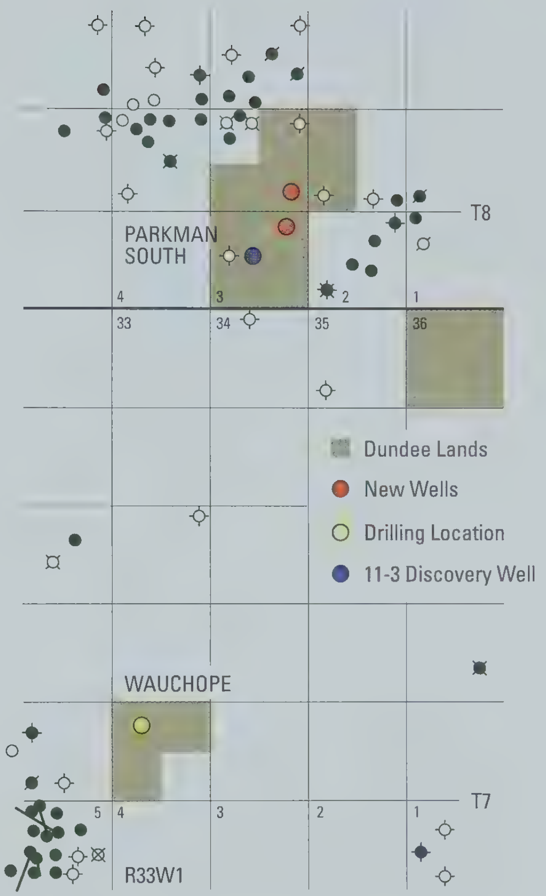
The Drowning Ford property in Alberta is located in Twp. 16, Rge. 5 W4M. The Company holds a 20% working interest in 2,240 gross (448 net) acres, containing 13 wells currently producing natural gas from the Medicine Hat and Milk River formations. During 1999, production from the property averaged 885 Mcf/day gross or 177 Mcf/day net to Dundee. This high quality shallow gas property has average cumulative production to-date of over 1 Bcf per well. Total assigned reserves at Drowning Ford are 0.96 Bcf net to Dundee. With offsetting lands currently being successfully downspaced to 80 acres, the potential exists for the drilling of a minimum additional 4 wells on the property, which have been assigned Proved Undeveloped reserves in 1999.

PARKMAN SOUTH/WAUCHOPE

At Parkman South, Dundee holds a 25% to 60% operated working interest in 1206 gross (526 net) acres along the Lower Tilston subcrop. In March of 1998, Dundee and its partner drilled a discovery well in the Lower Tilston formation at 11-3-8-33 W1M. Dundee, as Operator, followed up the 11-3 discovery by completing a two square mile 3D seismic survey over the property in August, 1998. A first stepout well, drilled in November 1998, came in structurally low and was abandoned.

With the vastly improved price of crude oil, Dundee re-interpreted the 3D seismic at Parkman South in 1999. The resultant interpretation indicated the presence of a significant structure. Accordingly, Dundee and its partners initiated steps to drill further stepout wells early in the year 2000. At the time of writing, 2 additional wells (0.9 net) have been drilled in the year 2000 with encouraging results.

At Wauchope, 3D seismic indicates a highly prospective Upper Tilston structure. Dundee currently holds a 100% interest in 480 acres over this exploration prospect. Again, with the rebound in oil prices, a partner was secured for this property in early 2000 and the drilling of a first well on the prospect is currently being evaluated.

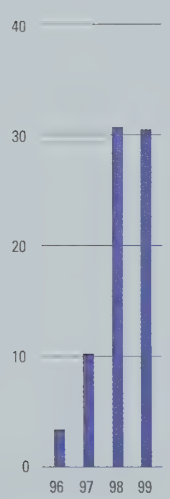


LANDS

In 1999, Dundee's net land holdings decreased slightly by 742 acres, bringing the Company's total net land holdings to 30,293 acres, 82% of which is attributed to the Company's shallow gas properties at Cessford and Drowning Ford. The significant decrease in Dundee's gross acreage total is the result of the sale of the Company's royalty interest at Crane Lake which covered approximately 54,000 acres.

Assigning an in-house acreage value of $30 per acre, the value of Dundee's undeveloped land, which has not been assigned reserves, is estimated at $525,000.

NET LAND HOLDINGS
(1000's Acres)



During 1999, as a result of expiries and the sale of the Glen Ewen, Yakowan and Crane Lake properties, Dundee's net acreage decreased by 2,556 acres. However, this was offset by acquisitions of 1,841 net acres on the Company's core properties at Cessford and Parkman South.

At Cessford, the Company acquired 1,016 net acres, ranging from an overriding royalty to a 100% working interest, for a total cost of $42,137. These lands were purchased at Crown land sales and a private transaction. Dundee also earned an additional 480 net acres at Cessford through a third party farmin. At Parkman South, Dundee increased its net acreage by 185 net acres through a strategic farmin and third party land acquisitions totaling $21,000.

1999 Acreage Totals

	Total Acres Gross	Total Acres Net	Developed Acres Net	Undeveloped Acres Net
Gas	83,440	24,816	4,120	20,696
Oil	16,528	5,477	596	4,881
Total	99,968	30,293	4,716	25,577

1999 Acreage Reconciliation

	Gross	Total Acres Net
Jan 1, 1998	155,373	31,035
Expiries	(4,038)	(1,436)
Dispositions	(55,600)	(1,120)
Acquisitions	4,289	1,841
Revisions	(56)	(27)
Jan 1, 1999	99,968	30,293

RESERVES

Dundee's reserve base comprises 84% natural gas and 16% crude oil. An independent engineering appraisal of the Company's oil and gas reserves at January 1, 2000, has determined the value of the Company's reserves, using a 10% discount rate, to be $9,574,000 using the GLJ base pricing forecast, and $12,684,000 using the GLJ constant price forecast.

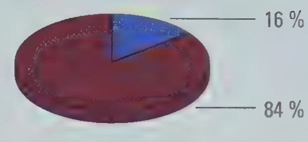
Dundee's total reserves at 1999 year-end were 15.34 billion cubic feet of natural gas and 285,000 barrels of crude oil. During 1999, Dundee increased its total reserves by 237,000 barrels of oil equivalent, which was offset by dispositions and revisions. These reserve additions were substantially lower than in 1998 due to the fact that the significant reserve additions in 1998 were the result of the establishment of the Cessford shallow gas property. During 1999, the majority of the capital expenditures at Cessford resulted in the reclassification of reserves from the Proved Undeveloped category to the Proved Producing category.

Capital expenditures in 1999 amounted to $1,511,158 resulting in Finding Costs of $7.23 per BOE of proved reserves and $6.38 per BOE of proved and probable reserves. These 1999 Finding Costs again reflect that the majority of the capital expenditures at Cessford resulted in the reclassification of reserves from the Proved Undeveloped category to the Proved Producing category. Taking into consideration future additional capital required to develop the Company's reserves, estimated at $4,430,000 in the Proved case and $5,669,000 in the Proved and Probable case, Dundee's four year cumulative Finding Costs are $6.39 per BOE of Proved reserves and $5.75 per BOE of Proved and Probable reserves.

During 1999, non-core property dispositions of 219,000 BOE resulted in proceeds of $719,291, representing an average unit sale price of $9.10 per producing BOE on a reserve basis. Total unit sales price was $3.30 per BOE, which number increased to $7.37 per BOE on a reserve basis when taking into account the substantial capital required to develop the nonproducing reserves.

The Company's Recycle Ratio, being the average cash flow netback per BOE ($13.99) divided by the Finding Cost per BOE, including future capital required, was 2.19 for 1999. Dundee's Reserve Life Index, based on annual production, is 19.6 years for Proved reserves and 28 years for Proved plus Probable reserves.

RESERVE DISTRIBUTION



Oil and Liquids

Natural Gas

PROVED & PROBABLE RESERVES

MBOE

Oil and Liquids

Natural Gas

Reserve Summary (January 1, 2000) Base Pricing Forecast

	Reserves		Estimated Net Present Value Before Tax at (000's)				
	Oil & Liquids (MBbls)	Natural Gas (Mmcf)	0%	10%	12%	15%	18%
Proved Producing	87	4,049	$6,815	$4,176	$3,894	$3,546	$3,266
Proved Undeveloped	40	7,204	7,059	2,632	2,160	1,586	1,130
Total Proved	127	11,253	13,874	6,808	6,054	5,132	4,396
Probable	158	4,084	6,252	2,766	2,452	2,079	1,791
Total Proved & Probable	285	15,337	$20,126	$9,574	$8,506	$7,211	$6,187

Reserve Summary (January 1, 2000) Constant Pricing Forecast

	Reserves		Estimated Net Present Value Before Tax at (000's)				
	Oil & Liquids (MBbls)	Natural Gas (Mmcf)	0%	10%	12%	15%	18%
Proved Producing	87	4,049	$8,471	$4,978	$4,614	$4,169	$3,812
Proved Undeveloped	40	7,204	10,203	4,186	3,560	2,798	2,196
Total Proved	127	11,253	18,674	9,164	8,174	6,967	6,008
Probable	158	4,084	8,150	3,520	3,123	2,656	2,296
Total Proved & Probable	285	15,337	$26,824	$12,684	$11,297	$9,623	$8,304

1999 Reserve Reconciliation

	Oil & Liquids (MBbls)			Natural Gas (Mmcf)			Total Equivalents (MBOE)		
	Proved	Probable	Total	Proved	Probable	Total	Proved	Probable	Total
At January 1, 1999	480	28	508	10,154	3,678	13,832	1,495	397	1,892
Additions	-	-	-	2,085	285	2,370	209	28	237
Dispositions	(149)	-	(149)	(630)	(70)	(700)	(212)	(7)	(219)
Revisions	(179)	130	(49)	33	191	224	(175)	148	(27)
Production	(25)	-	(25)	(389)	-	(389)	(64)	-	(64)
At January 1, 2000	127	158	285	11,253	4,084	15,337	1,253	566	1,819

Annual Finding & Development Costs

Year Ended December 31	1999	1998	1997	1996
Total Capital Expenditures ($000's)	1,511	2,133	3,419	907
Proved Reserve Additions (MBOE)	209	884	462	385
Average Cost Per BOE	$7.23	$2.41	$7.40	$2.36
Proved & Prob. Reserve Addns. (MBOE)	237	1,245	390	500
Average Cost Per BOE	$6.38	$1.71	$8.77	$1.81

Cumulative Finding & Development Costs

	1996 to 1999
Total Capital Expenditures ($000's)	$7,970
Proved Reserve Additions (MBOE)	1,940
Average Cost per BOE	$4.11
Proved & Probable Reserve Additions (MBOE)	2,372
Average Cost per BOE	$3.36

Cumulative Finding & Development Costs

(Including future additional capital costs required to develop reserves)

	1996 to 1999
Proved Reserves	
Capital Expenditures 1996 - 1999 ($000's)	$7,970
Future Expenditures Required ($000's)	$4,430
Total Capital Expenditures ($000's)	$12,400
Proved Reserve Additions (MBOE)	1,940
Average Cost per BOE	$6.39
Proved & Probable Reserves	
Capital Expenditures 1996 - 1999 ($000's)	$7,970
Future Expenditures Required ($000's)	$5,669
Total Capital Expenditures ($000's)	$13,639
Proved & Probable Reserve Additions (MBOE)	2,372
Average Cost per BOE	$5.75

Annual Reserve Recycle Ratio

	1999*	1998*	1997	1996
Total Proved	1.94	2.22	1.89	5.09
Total Proved & Probable	2.19	2.37	1.59	6.64

*(Includes future additional capital costs required to develop reserves)

Reserve Life Index

(Years of reserves remaining at annual production rate)

	Proved	Proved & Probable
Oil	5.1	11.4
Natural Gas	29.7	39.4
BOE	19.6	28.5

Net Asset Value (Base Pricing Forecast)

($ 000's)	10% Dcf	12% Dcf	15% Dcf
Total Proved	6,808	6,054	5,132
Probable	2,766	2,452	2,079
Total Proved & Probable	9,574	8,506	7,211
Undeveloped Land	525	525	525
Current Debt & Working Capital (Dec/99)	(1,303)	(1,303)	(1,303)
Total	8,796	7,728	6,433
Net Asset Value per Share	$0.52	$0.46	$0.38

Base Pricing Forecast

(Gilbert Laustsen Jung Associates Ltd. - October 1999)

Year	Crude Oil WTI Cushing Oklahoma ($US/Bbl)	Crude Oil Edmonton Par 40 API ($Cdn./Bbl)	Natural Gas Alberta ($/Mmbtu)
2000	20.00	27.75	3.05
2001	20.00	27.50	2.65
2002	20.00	27.00	2.55
2003	20.00	26.50	2.55
2004	20.50	27.00	2.55
2005	20.75	27.25	2.55
2006	21.25	27.75	2.55
2007	21.50	28.25	2.60
2008	21.75	28.50	2.65
2009	22.00	29.00	2.70

Net Asset Value (Constant Pricing Forecast)

($ 000's)	10% Dcf	12% Dcf	15% Dcf
Total Proved	9,164	8,174	6,967
Probable	3,520	3,123	2,656
Total Proved & Probable	12,684	11,297	9,623
Undeveloped Land	525	525	525
Current Debt & Working Capital (Dec/99)	(1,303)	(1,303)	(1,303)
Total	11,906	10,519	8,845
Net Asset Value per Share	$0.70	$0.62	$0.52

Constant Pricing Forecast

(Gilbert Laustsen Jung Associates Ltd. - October 1999)

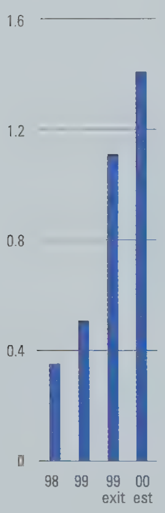
Crude Oil WTI Cushing Oklahoma ($US/Bbl)	Crude Oil Edmonton Par 40 API ($Cdn./Bbl)	Natural Gas Alberta ($/Mmbtu)
20.00	27.75	3.05

Management's Discussion & Analysis

Management's Discussion & Analysis

OIL AND GAS REVENUE

Dundee's oil and gas revenue before royalties were $1,679,163 for the year ended December 31, 1999 as compared to $1,329,607 for 1998. The increase of 26% is attributable to increased commodity prices and resulted in an increase in oil sales of $52,971 and by an increase in natural gas sales of $296,585. Total production decreased 8% from 69,569 BOE in 1998 to 63,860 BOE in 1999. The ratio of gas production to total production increased from 54% in 1998 to 60% in 1999. In 1999, the average selling price for crude oil and natural gas liquids was $26.26 per BOE, up 37% from an average of $19.11 per BOE in 1998. Natural gas averaged $2.74/Mcf and oil averaged $24.34/Bbl.



ROYALTIES

Dundee's royalties (net of ARTC) on oil and gas production were $204,113 for the year ended December 31, 1999 as compared to $172,919 for the previous year. In 1999 royalties averaged $3.20 per BOE an increase of 29% from $2.49 per BOE in 1998. The increase in the royalty rate is attributable to the disposition of overriding royalty interest properties which had zero royalty rates, and new gas production in Alberta which is encumbered by minor overriding royalties.

PRODUCTION EXPENSE

Dundee's oil and gas production expenses were $538,473 for the year ended December 31, 1999 as compared to $412,316 for the previous year. The increase of $126,157 or 30% is attributable to unexpected costs attributable to the Company's oil properties as well as general increases in field expenses, despite an overall production decrease of 8%. As a percentage of gross oil and gas revenues, production expenses were 31%, and averaged $8.43 per barrel of oil equivalent.

GENERAL AND ADMINISTRATIVE

The Company's general and administrative expenses for the year ended December 31, 1999 were $223,540 (excluding a one-time reorganization charge of $123,000) as compared to $258,029 in 1998. G&A expenses averaged $3.50/BOE in 1999 as compared to $3.71/BOE in 1998. Based on estimated net production increases and overall cost rationalization plans the Company expects to decrease G&A per BOE to below $3.00 in 2000.

INTEREST EXPENSE

Dundee's interest expense for the year ended December 31, 1999 was $118,470 as compared to $123,347 for the previous year. The decrease of $4,877 is attributable to the decrease in long term debt from $1,999,127 at year end 1998 to $1,279,267 at year end 1999.

DEPLETION AND AMORTIZATION

The Company's depletion and amortization expense for the year ended December 31, 1999 was $534,040 as compared to $540,965 (restated) in the previous year. The corporate depletion rate was 4.68% in 1999 as compared to 5.17% (restated) in 1998. The decrease in depletion rate is mainly due to the disposition of properties during 1999 with high depletion rates, despite a decrease in proven reserves from 1,495,000 BOE at December 31, 1998 to 1,295,000 BOE at December 31, 1999.

CASH FLOW FROM OPERATIONS

Dundee's operating cash flow from operations for the year ended December 31, 1999 was $471,567 as compared to $354,881 for the previous year. The increase of $116,686 is mainly due to an increase in average sales price per BOE (due to higher crude oil and gas prices), despite increases in production expenses and the one-time reorganization charge. Also, general and administrative expenses (excluding the one-time charge) and interest expense decreased. The corporate average net back increased from $5.10/BOE in 1998 to $7.38/BOE in 1999.

With a higher weighting to natural gas and estimated production increases, the Company expects corporate net backs to increase significantly in 2000.

LIQUIDITY AND CAPITAL RESOURCES

The Company's working capital deficit at December 31, 1999 was $24,381 as compared to working capital of $272,333 at the end of the previous year. The decrease of $296,714 is attributable mainly to higher accounts payable for capital expenditures late in 1999 versus an outstanding account receivable of $275,000 on a property disposition at December 31, 1998.

CAPITAL EXPENDITURES

	1999
Land and lease	$ 20,969
Drilling and completion	987,317
Facilities and equipment	496,695
Other fixed assets	6,177
Total	$ 1,511,158

CAPITAL DISPOSITIONS

	1999
Land and lease	$ 624,291
Facilities and equipment	95,000
Total	$ 719,291

YEAR 2000 (Y2K) STATUS

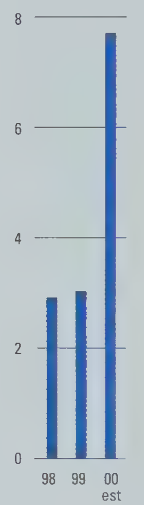
The Corporation has addressed the Y2K computer issue, being the ability of computer hardware and software and embedded chips to properly function and process data during the 20th to 21st Century change. The Corporation is satisfied that its internal systems and those of its direct service providers, such as accounting services, are Y2K compliant. In addition, the Corporation is satisfied that field equipment operated by it is Y2K compliant. The Corporation has not obtained satisfactorily unqualified advice from the operators of its non operated properties that the operators' systems and operated field equipment are Y2K compliant; nor has the Corporation obtained satisfactorily unqualified advice from the buyers of its production and major processors and transporters that their systems and equipment are Y2K compliant. In addition, the operations of the Corporation, both operated and non operated, may be affected by interruptions in basic services such as electricity and telephone which are beyond the ability of the Corporation to assess. The Corporation currently has no reason to believe that its costs associated with Year 2000 compliance for its operated systems will be significant but is unable to assess potential costs for Y2K compliance of non operated systems. The Corporation is unable to fully determine the consequences to the Corporation if the applications of the operators of its non operated properties, product processors, buyers, transporters or suppliers of basic services are not Y2K compliant. The potential impact of such applications not being compliant could range from inconvenience, such as delay in the receipt of revenues, to a complete shut down of production for an indeterminable period. The Corporation is unable to economically insure against all possible losses from Y2K non compliance.

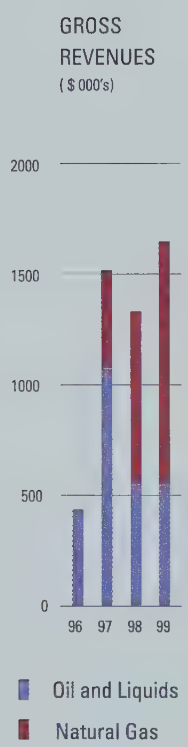
BUSINESS RISKS

Dundee's operations are conducted in Western Canada and involve certain business risks. These risks include the uncertainty of replacing annual production and finding new reserves on an economic basis, and the instability of commodity prices, foreign exchange rates and interest rates. Dundee manages these risks by employing highly trained and competent management who carry out the following corporate strategies:

- Pursue low risk development projects and moderate risk exploration plays in the Company's core areas
- Acquisition of producing assets with significant upside development potential
- Maintain low finding, operating and general and administrative costs

CASH FLOW
PER SHARE
¢





In line with its previous strategy of securing cash flow and capitalizing on strong natural gas prices, the Company has contracted the following volumes of its Cessford production:

600 GJ/day at $2.84/GJ ($3/Mcf) November 1, 1998-March 31, 1999.

400 GJ/day at $2.365/GJ ($2.50/Mcf) April 1, 1999-July 31, 1999.

300 GJ/day at $2.82/GJ ($2.97/Mcf) August 1, 1999-October 31, 1999.

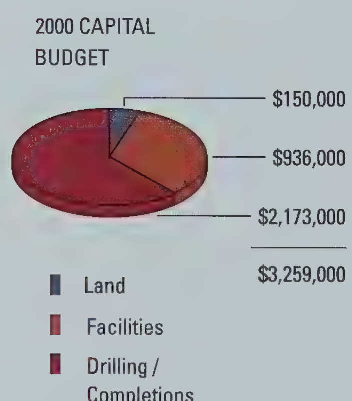
300 GJ/day at $3.10/GJ ($3.26/Mcf) November 1, 1999-March 31, 2000.

400 GJ/day at $3.77/GJ ($3.97/Mcf) November 1, 1999-March 31, 2000.

500 GJ/day at $2.95/GJ ($3.10/Mcf) April 1, 2000-October 31, 2000.

500 GJ/day at 3.50/GJ ($3.68/Mcf) November 1, 2000-October 31, 2001.

With natural gas production expected to increase significantly in the year 2000, management will continue to review the Company's hedging positions and may engage in further hedging at suitable prices.



OUTLOOK FOR 2000

For the year 2000, Dundee plans to significantly add to its Cessford production through the drilling of additional shallow gas wells. Dundee's budgeted 2000 drilling and capital program is $3,259,000, of which $2,835,000 will be directed towards the drilling, completion and tie-in of approximately 78 (21.5 net) development wells at Cessford. In addition, approximately $300,000 was expended in the first quarter of 2000 on the drilling of 2 (0.9 net) wells at Parkman South in southeast Saskatchewan.

The year 2000 Cessford drilling program will be financed out of existing cash flow and available bank lines. In order to maintain Dundee's debt position within levels of industry norms, the Company may entertain disposing of other minor properties in 2000, should suitable offers be received.

Based on 100% drilling success of 78 wells at Cessford, commodity pricing of $3.00/Mcf for natural gas and $27.00 Cdn/Bbl for oil, the Company forecasts year 2000 production of 265 BOE/day (66% natural gas) and cash flow of $1,300,000 or $.077 per share. Using an increased commodity price of $3.50/Mcf for natural gas, year 2000 cash flow is forecast to be $1,600,000 or $.094 per share.

Dundee Petroleum Corp.

Consolidated Financial Statements

December 31, 1999 and 1998

Management's Report

Management is responsible for the integrity and objectivity of the information contained in this annual report and for the consistency between the financial statements and other financial operating data contained elsewhere in the report. The accompanying financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada using estimates and careful judgement, particularly in those circumstances where transactions affecting a current period are dependent upon future events. The accompanying financial statements have been prepared using policies and procedures established by management and reflect fairly the Company's financial position and results of operations, within reasonable limits of materiality and within the framework of the accounting policies outlined in the notes to the financial statements.

Management has established and maintains a system of internal control which is designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and that financial information is reliable and accurate.

The financial statements have been examined by external auditors appointed by the shareholders. Their examination provides an independent view as to management's discharge of its responsibilities insofar as they relate to the fairness of reported operating results and financial condition.

The Audit Committee of the Board of Directors has reviewed in detail the financial statements with management and the external auditors. The financial statements have been approved by the Board of Directors on the recommendation of the Audit Committee.

Michael J. Kryczka

President & Chief Executive Officer

Auditor's Report

To the Shareholders of Dundee Petroleum Corp.

I have audited the consolidated balance sheets of Dundee Petroleum Corp. as at December 31, 1999 and 1998 and the consolidated statements of operations and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1999 and 1998 and the results of its operations and the changes in its cash flows for the years then ended in accordance with generally accepted accounting principles.

Calgary, Alberta — Stan Peloski

March 13, 2000 — Chartered Accountant

Consolidated Balance Sheets

As at December 31

	Note	1999	1998
		$	$
Assets			
Current			
Accounts receivable	9	376,915	700,276
Prepaid expenses and deposits		17,636	39,867
		394,551	740,143
Property and Equipment	3, 4	6,090,920	5,821,988
		6,485,471	6,562,131
Liabilities			
Current			
Accounts payable and accrued		418,932	292,810
Current maturities on long-term debt		-	175,000
		418,932	467,810
Long-Term Debt	5	1,279,267	1,824,127
Future Site Restoration and Abandonment	4	86,105	75,000
Future Income Tax	3, 7	1,677,336	1,759,232
		3,461,640	4,126,169
Shareholders' Equity			
Share Capital	3, 6	2,983,689	2,384,782
Retained Earnings	3	40,142	51,180
		3,023,831	2,435,962
		6,485,471	6,562,131

On Behalf of the Board:

Director

Director

Consolidated Statements of Operations and Retained Earnings

For the years ended December 31

	Note	1999	1998
		$	$
Revenue			
Petroleum and natural gas sales		1,679,163	1,329,607
Royalties		(246,304)	(200,958)
Alberta Royalty Tax Credit		42,191	28,039
		1,475,050	1,156,688
Expenses			
Operating and production		538,473	412,316
General and administrative	9	223,540	258,029
Reorganization costs	9	123,000	-
Interest		118,470	123,347
Depletion and amortization	3	534,040	540,965
		1,537,523	1,334,657
Loss before income tax		(62,473)	(177,969)
Income Tax Expense (Recovery)	3, 7		
Current		-	8,115
Future		(51,435)	(90,710)
		(51,435)	(82,595)
Loss	3	(11,038)	(95,374)
Retained Earnings, beginning of year			
As originally stated		21,033	117,362
Effect of change in accounting policy	3	30,147	29,192
As restated		51,180	146,554
Retained Earnings, end of year		40,142	51,180
Loss per Share	3, 6(e)		
Basic		(0.001)	(0.008)

Consolidated Statements of Cash Flows

For the years ended December 31

	Note	1999 $	1998 $
Operating			
Loss		(11,038)	(95,374)
Items not affecting cash flow			
Depletion and amortization		534,040	540,965
Future income tax recovery		(51,435)	(90,710)
Cash flow from operations		471,567	354,881
Changes in non-cash working capital items	8	135,205	52,184
		606,772	407,065
Financing			
Advances on bank credit facilities		-	1,027,344
Repayment of bank credit facilities		(548,077)	(75,000)
Repayment of promissory note payable		(171,783)	(100,000)
Reduction in promissory note payable		-	(28,217)
Issuance and repurchase of share capital	7	568,446	440,229
		(151,414)	1,264,356
Investing			
Acquisition of property and equipment		(1,511,158)	(2,133,555)
Proceeds of disposal of property and equipment		719,291	800,000
Changes in non-cash working capital items	8	336,509	(361,573)
		(455,358)	(1,695,128)
Decrease in Cash		-	(23,707)
Cash and cash equivalents, beginning of year		-	23,707
Cash, end of year		-	-
Cash Flow from Operations per Share	6(e)		
Basic		0.032	0.028
Fully Diluted		0.029	0.026
Supplementary Information regarding Cash Payments			
Interest paid during the year		118,470	123,347

Notes to Consolidated Financial Statements

December 31, 1999 and 1998

1. The Corporation

Dundee Petroleum Corp. (the Corporation) was incorporated on August 17, 1995, under the Business Corporations Act (Alberta) and is publicly traded on the Canadian Venture Exchange. The Corporation's principal activity is the exploration for and development of petroleum and natural gas.

The consolidated financial statements of the Corporation have been prepared by management in accordance with accounting principles generally accepted in Canada and include the accounts of the Corporation and its wholly-owned subsidiary, Kenesen Petroleum Corp.

All of their petroleum and natural gas properties of the Corporation and its subsidiary are held by the Dundee Petroleum Partnership. The fiscal year end of the Partnership is June 30.

For the years ended December 31, 1999 and 1998, the Corporation's operations are identical to those of the Partnership for the twelve month period then ended.

2. Significant Accounting Policies

(a) Financial Instruments

The Corporation's financial instruments consist of accounts receivable, prepaid expenses and deposits, accounts payable and accrued and long term debt. The fair values of the financial instruments other than long term debt approximate their carrying amounts due to the short term maturity of those instruments. The fair value of the long term debt approximates its carrying amount due to the floating rate of interest.

Credit Risk

The Corporation is exposed to credit risk on the accounts receivable from its joint operating partners; however, the risk is mitigated by the ability of the Corporation to offset such amounts against any net production revenue owing to the partners.

Interest Rate Risk

The Corporation is also exposed to interest rate risk with respect to its bank credit facilities. Interest thereon is charged at a rate based on prime plus per annum and is accordingly subject to fluctuation.

Commodity Hedges

Financial instruments are periodically used to hedge the Corporation's exposure to commodity price fluctuations on a portion of its petroleum and natural gas production. These instruments are not used for speculative trading purposes and the related gains or losses are recognized in the statement of operations as the underlying transactions are recognized.

(b) Petroleum and Natural Gas Properties

The Corporation follows the full cost method of accounting for petroleum and natural gas properties whereby all costs associated with the exploration for and development of petroleum and natural gas reserves, whether productive or unproductive, are capitalized and charged against income as set out below. Such costs include lease acquisition, geological and geophysical expenditures, the cost of drilling both productive and non-productive wells, costs of production and gathering equipment, carrying charges on non-producing properties and that portion of general and administrative expenses directly related to acquisition, exploration and development activities. Proceeds received from the disposition of properties are credited against accumulated costs except under circumstances which result in a material change in the rate of depletion, in which case a gain or loss is recorded and reflected in the statement of operations.

Capitalized costs, together with estimated future costs associated with the development of proven reserves, are depleted using the unit-of-production method based on estimated proven reserves of petroleum and natural gas, before royalties, as determined by independent engineers. For purposes of the depletion calculation, petroleum and natural gas reserves are converted to a common unit of measurement based on their relative energy content.

Costs of acquiring and evaluating unproven properties are initially excluded from the depletion calculation. These unevaluated properties are assessed periodically to ascertain whether impairment has occurred. When proven reserves are assigned, or the property is considered to be impaired, the cost of the property or the amount of the impairment is added to costs subject to depletion.

(c) Future Site Restoration and Abandonment Costs

Future site restoration and abandonment costs are estimated and recorded over the expected life of the Corporation's petroleum and natural gas reserves, using the unit-of-production method. Costs are based on engineering estimates considering current regulations, costs and industry standards. Actual expenditures incurred are applied against the accumulated provision. The provision is classified as a long-term liability and the annual charge is included in depletion and amortization.

(d) Joint Operations

Substantially all of the Corporation's exploration and development activities are conducted jointly with others and, accordingly, these financial statements reflect only the Corporation's proportionate interest in such activities.

(e) Flow-through Shares

Under the provisions of the Income Tax Act (the "Act"), a corporation may issue shares, the proceeds of which are used to incur "qualifying expenditures" as defined in the Act. The subscriber for these shares, and not the Corporation, is entitled to deduct these "qualifying expenditures" for Income Tax purposes.

In the year of issuance of the flow-through shares, share capital is reduced by the estimated benefit of the tax deductions renounced by the Corporation and future income taxes are increased by the same amount.

(f) Measurement Uncertainty

The amounts recorded for depletion of petroleum and natural gas properties and the provision for future site restoration and abandonment costs are based on estimates. The ceiling test is based on estimates of proven reserves, production rates, petroleum and natural gas prices, future costs and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

3. Change in Accounting Policy

During the year ended December 31, 1999, the Corporation changed from the deferral method of accounting for income taxes to the future income tax method recommended by the Canadian Institute of Chartered Accountants.

As a result of this change, the net loss for 1999 decreased by $11,934

The new standard has been adopted retroactively, resulting in the restatement of the 1998 financial statements as follows:

	As Reported	Adjustments	As Restated
	$	$	$
As at December 31, 1998			
Property and equipment, net	4,369,188	1,452,800	5,821,988
Future income tax	(381,292)	(1,377,940)	(1,759,232)
Share capital	(2,340,069)	(44,713)	(2,384,782)
Retained earnings	(21,033)	(30,147)	(51,180)
For the Year Ended December 31, 1998			
Depletion and amortization	459,325	81,640	540,965
Income tax	-	(82,595)	(82,595)
Loss	(96,329)	955	(95,374)
Loss per share			
Basic	(0.008)	-	(0.008)

4. Property and Equipment

	1999	1998
	$	$
Petroleum and natural gas properties and equipment, at cost	8,131,387	7,339,520
Accumulated depletion and amortization	(2,040,467)	(1,517,532)
	6,090,920	5,821,988
General and administrative expenses and interest expense capitalized during the year	258,347	165,000
Cost relating to unproven properties excluded from the calculation of depletion and the ceiling test	53,379	53,379
Net book value of petroleum and natural gas properties not subject to deduction for income tax purposes	3,853,675	4,031,525
Cumulative charge for future site restoration and abandonment costs	86,105	75,000
Estimated future site restoration and abandonment costs to be recorded	201,737	500,500

5. Long-Term Debt

	1999	1998
	$	$
Revolving operating demand loan	879,267	1,182,344
Non-revolving acquisition/development demand loan	400,000	645,000
Promissory note payable	-	171,783
	1,279,267	1,999,127
less, current maturities	-	175,000
	1,279,267	1,824,127

National Bank of Canada Credit Facilities

(a) Revolving Operating Demand Loan

Bearing interest at the bank's prime rate plus 1% (7.5% at December 31, 1999). The Corporation has arranged a credit facility of a maximum of $1,650,000.

(b) Non-Revolving Reducing Acquisition/Development Demand Loan

Bearing interest at the bank's prime rate plus 1 1⁄4% (7.75% at December 31, 1999).

(c) Treasury Risk Line

A maximum of $500,000 for use in the management of risk related to interest rates, foreign exchange and commodity prices. No funds have been drawn against this credit facility.

The bank credit facilities are secured by a general assignment of book debts, a fixed and floating charge debenture in the amount of $10,000,000, over all assets of each of the Corporation, its subsidiary and Dundee Petroleum Partnership, negative pledges from the Corporation, its subsidiary and the Partnership to provide fixed charges over producing properties at the request of the bank, guarantees in the amount of $3,000,000 each from the Corporation and Kenesen Petroleum Corp., assignment of material contracts, as applicable, by the Corporation, its subsidiary and the Partnership and assignment of insurance proceeds.

While the credit facilities are demand in nature, the bank has stated that it is not its intention to call for repayment during the next twelve months provided there is no adverse change in the Corporation's financial position. Accordingly, except for the repayments on the non-revolving reducing acquisition loan referred to above, the advances are classified as long-term.

6. Share Capital

(a) Authorized

Unlimited number of common voting shares

Unlimited number of common non-voting shares

Unlimited number of preferred shares, issuable in series

6. Share Capital, continued

(b) Issued Common Voting Shares

	#	$
Balance, December 31, 1997	12,222,334	2,226,537
Issued for cash pursuant to private flow-through offerings (net of issuance costs of $6,795 and tax effect of $288,016)	1,816,667	256,221
Issued for cash upon exercise of options under Stock Option Plan	125,000	12,500
Issuer repurchase for cancellation	(445,000)	(110,476)
Balance December 31, 1998	13,719,001	2,384,782
Issued for cash pursuant to rights offering (net of issuance costs of $68,199 and tax effect of $30,461)	3,396,000	641,462
Issued for cash upon exercise of options under Stock Option Plan	200,000	34,350
Issuer repurchase for cancellation	(360,500)	(76,905)
Balance December 31, 1999	16,954,501	2,983,689

(c) Rights Offering

During the year ended December 31, 1999 the Corporation issued, to the holders of its outstanding common shares, right to subscribe to additional common shares on the basis of four rights and $0.20 per common share, until September 16, 1999. All rights were exercised.

(d) Options

Pursuant to an Agency Agreement, the Corporation granted an agent, Rogers & Partners Securities Inc., non-transferable options to purchase 158,430 common voting shares at $0.45 per share until February 1, 1999. These options have expired.

Pursuant to a Dealer Solicitation Agreement, the Corporation granted Emerging Equities Corporation an option to acquire 339,600 common voting shares at $0.20 per share, expiring July 22, 2000. This option represents 10% of the common shares issued on exercise of rights under the rights offering.

The Corporation has a Stock Option Plan (the Plan) for its directors, officers, employees and consultants. Pursuant to the Plan the Corporation may grant, to eligible recipients, options to purchase common voting shares. Options are exercisable for up to five years at an exercise price, set by the Directors, which is not less than the market value of the Corporation's common voting shares on the date of the grant. A summary of the Plan for 1998 and 1999 is as follows:

	1999		1998	
	Shares	Weighted Average Price	Shares	Weighted Average Price
Outstanding and exercisable, beginning of year	1,141,250	$0.312	666,250	$0.275
Granted	700,000	$0.217	600,000	$0.309
Exercised	(200,000)	$0.172	(125,000)	$0.100
Expired	(50,000)	$0.345	-	-
Outstanding and exercisable, end of year	1,591,250	$0.287	1,141,250	$0.312

Outstanding options, under the Plan, as at December 31, 1999 are:

Expiry	Exercise Price	Outstanding and Exercisable	Remaining Life (years)
January 8, 2002	$0.38	306,250	2.0
January 28, 2002	$0.53	25,000	2.1
January 29, 2003	$0.31	565,000	3.1
July 22, 2003	$0.24	10,000	3.6
February 7, 2004	$0.19	220,000	4.1
December 30, 2004	$0.23	465,000	5.0
	$0.19 to $0.53	1,591,250	3.6*

*Weighted average

(e) **Per Share Data**

Per share data are calculated based on the weighted average number of shares of 14,590,041 (fully diluted - 16,520,891) (1998 - 12,544,853 (fully diluted - 13,844,523)) outstanding during the year.

Cash flow from operations is based upon operating cash flow before changes in non-cash working capital items.

7. Income Taxes

The provision for income taxes varies from the amounts which would have been computed by applying the combined federal and provincial tax rates (approximately 44.6%) to the Corporation's loss before income taxes. This difference results from the following items:

	1999	1998
	$	$
Expected income tax recovery	(27,864)	(79,374)
Non-deductible Crown payments	62,461	49,666
Alberta royalty tax credit	(18,817)	(12,505)
Resource allowance	(76,135)	(52,957)
Other	8,920	12,575
Income taxes	(51,435)	(82,595)

The future income tax liability is comprised of temporary differences and future income tax reductions. These tax-affected differences are as follows:

	1999	1998
	$	$
Net book value of property and equipment in excess of tax basis	1,828,574	1,897,968
Future site restoration and abandonment	(38,403)	(33,450)
Future deduction for share issuance costs	(52,262)	(44,713)
Losses for income tax purposes	(60,573)	(60,573)
Future income tax liability	1,677,336	1,759,232

At December 31, 1999, the Corporation has losses, for income tax purposes, available to reduce taxable incomes of future years. If not utilized, these losses will expire as follows:

	$
2002	3,142
2003	34,148
2004	98,525
	135,815

At December 31, 1999, the Corporation has the following income tax pools, available to reduce future taxable incomes at the annual rates indicated:

		$
Canadian development expense	30%	886,252
Canadian exploration expense	100%	246,193
Undepreciated capital costs	20%	858,535
Share issuance costs	20%	117,179
		2,108,159

8. Changes In Non-Cash Working Capital Items

	1999	1998
	$	$
Marketable securities	-	110,000
Accounts receivable	323,361	(410,140)
Prepaid expenses and deposits	22,231	(4,888)
Accounts payable and accrued	126,122	(4,361)
	471,714	(309,389)
Operating	135,205	52,184
Investing	336,509	(361,573)
	471,714	(309,389)

9. Related Party Transactions

	1999	1998
	$	$
Management and consulting services paid to officers and/or directors	157,428	202,000
Allowances paid to officers upon retirement (reorganization costs)	123,000	-
	280,428	202,000
Legal costs paid to a firm of solicitors in which an officer of the Corporation is a partner	45,469	34,153

At December 31, 1999, accounts receivable include

i) $66,782 due from a company controlled by a former director of the Corporation. The amount represents that company's share of capital costs related to properties in which it holds a joint interest with the Corporation and it is subject to the terms and conditions applicable to all of the Corporation's joint interest accounts receivable.

ii) $21,559 due from an officer and director in respect of funds advanced to facilitate the purchase of shares of the Corporation. This amount is non-interest bearing, is supported by promissory notes signed by the officer and director and is repayable in full by September, 2001.

10. Commitments

Hedging

The Corporation has entered into a contract to hedge up to 700 gigajoules ("GJ") of natural gas per day, at prices of $3.10 per GJ on the first 300 and $3.77 per GJ on the next 400. The contract is in effect for the winter term ending March 31, 2000. Based on a December 31, 1999 price of $3.24 per GJ, the Corporation's unrecognized settlement gain on this contract amounts to $15,300. The amount recognized by the Corporation is dependent upon prices in effect at the time of settlement.

Premises Lease

The Corporation is committed pursuant to a lease for premises, which expires July 31, 2001. Minimum rental payments under the terms of the lease are $17,190 during 2000 and $8,595 during 2001.

11. Uncertainty Due To The Year 2000

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date resulting in errors when information using the year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue which may affect the Company, including those related to the efforts of customers, suppliers, or other third parties, have been fully resolved.

Corporate Information

Head Office:

1480, 717 - 7 Avenue S.W.

Calgary, AB T2P 0Z3

Officers:

Michael J. Kryczka - President & Chief Executive Officer

Harry Issler - Vice President, Exploration

Kam A. Fard - Senior Technical Consultant

David M. Johnson - Secretary

Directors:

Michael J. Kryczka - Chairman

David M. Johnson - Director/Secretary - Pacific Ranger Petroleum Inc.

Robert W. Lamond - Chairman/President - Humboldt Capital Corp.

Charles A. Teare - Director/Chief Financial Officer - Humboldt Capital Corp.

J. Ward Mallabone - Vice President, Law - EnerVest Group of Companies

Banking:

National Bank of Canada

Auditors:

Stan Peloski, Chartered Accountant

Legal Counsel:

Gowling, Strathy & Henderson

Engineering:

Gilbert Laustsen Jung Associates Ltd.

Common Shares Listed:

Canadian Venture Exchange

Symbol: DPC

Design, Photography & Production: Foxton Graphic

Notice of Meeting

The Annual General Meeting of the shareholders of Dundee Petroleum Corp. will be held on Thursday, May 25, 2000, at 2:00 pm at the Bow Valley Club, Rungius Room, Suite 370, 250 - 6th Avenue SW, Calgary.

Shareholders unable to attend are encouraged to complete and return the accompanying form of proxy.

Abbreviations

Bbls	Barrels
Bbls/day	Barrels of oil per day
MBbls	Thousand barrels
Bcf	Billion cubic feet
BOE	Barrels of oil equivalent (10 MCF equivalent to 1 Bbl)
MBOE	Thousands of barrels of oil equivalent
BOE/day	Barrels of oil equivalent per day
Mcf	Thousand cubic feet
Mmcf	Million cubic feet
Mcf/day	Thousand cubic feet per day
NGL	Natural gas liquids

Dundee Petroleum Corp.
1480, 717 - 7 Ave. SW Calgary, AB T2P 0Z3
Tel: 403-233-2969 Fax: 403-234-9563
Email: dunpete@telusplanet.net
Website: www.dundeepete.com